GOVERNMENT OF ANDHRA PRADESH
Abstract

E, I&I Department - providing Government guarantee for obtaining loan of Rs.300.00 Crores from the Banks / Financial institutions for procurement of Customer Premises Equipment (CPE) boxes by Andhra Pradesh State FiberNet Limited for repayment of interest and instalments of Term Loan– Orders – Issued.

ENERGY, INFRASTRUCTURE & INVESTMENT (AIRPORTS) DEPARTMENT

G.O.RT.No. 161 Dated: 22-11-2016

Read the following:

1. From the Managing Director, AP State Fiber Net Limited, Lr.No. APSFL/Budget Estimates/16/2015, dt.12-09-2016.
2. From the Managing Director, AP State Fiber Net Limited, Lr.No. APSFL/Budget Estimates/16/2015, dt.08-11-2016.

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O R D E R:

In the letter 1st read above, the Managing Director, AP State Fiber Net Limited has informed that the works of AP Fiber Grid are nearing completion and at present the infrastructure is ready for delivering the intended Triple Play Services i.e. IPTV, Broadband and Telecom and other value added services to the households / offices.

2. The MD, APSFL has also informed that Customer Premises Equipment (CPE) is essential to enable delivery of various services such as IPTV, Internet, Telephone and other value added services etc. to the households and offices. The standards and specifications of various models of CPE boxes with capabilities to deliver the intended services have been released by APSFL.

3. The MD, APSFL has further informed that APSFL proposed to take up the procurement of 10 lakhs sets of CPE boxes initially to enhance confidence of various stakeholders and customers in the Project and also to accelerate the seeding of the boxes to the end-users.

4. After procurement, it is planned to supply the CPE boxes to the end-users through the registered business partners of APSFL i.e., MSOs/ LCOs. The CPE box is combination of two boxes viz., GPON box which enables delivery of Broadband and Telephone services and IPTV box which enables delivery of IPTV services. The estimated cost of one set of CPE boxes with Wi-Fi facility is around Rs.4,000/- which is to be incurred by the customers themselves. Thus, the estimated cost for the procurement of 10 lakh sets of CPE boxes would be around Rs.400 Crores.

5. He has also informed that the proposed business plan is to recover the cost of the boxes from the end-users either fully at the time of installation itself or in equal monthly instalments after collecting Rs.500/- at the time of installation and the remaining amount to be recovered in instalments @ Rs.99/- per month for a period of 48 months. The proposed financial model in case of cost recovery through instalments has also been worked out by APSFL and that will lead to an overall profit for the Company.

6. He has further informed that APSFL has submitted a proposal to Andhra Bank to avail a term loan of Rs.400 Crores towards procurement of 10 lakhs sets of Customer Premises Equipment (CPE) boxes by APSFL. The amount of Rs.100 Crores is to be provided by the Company as the margin money for availing the term loan of Rs.300 Crores to meet the total procurement Project cost of Rs.400 Crores.

7. The Andhra Bank authorities have informed that they are agreeable to take up the proposal to the competent authority for sanction of term loan of Rs.300 Crores with a Project cost of Rs.400 Crores subject to “Unconditional and Irrevocable Guarantee from the Govt. of Andhra Pradesh for repayment of interest and instalments of Term Loan” to enable to process the proposal.

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8. The MD, APSFL has requested for Government Guarantee for an amount of Rs.300 Crores loan and to release funds for an amount of Rs.100 Crores as Government grant or as an interest free loan repayable back to the Government in 5 years, for the APSFL to meet the margin money requirement for the proposed term loan.

9. In the letter 2nd read above, the MD, APSFL has informed that the Guarantee Commission @2% on the guaranteed amount i.e., Rs.300 crores to the State Government for investment in Guarantee redemption fund, would entail an outgo of Rs.6 crores (2% of Rs.300 crores) from APSFL which will strain the finances of this start-up Company. Thus payment of Rs.6.00 Crores to the Government as guarantee commission is likely to severely strain the finances of APSFL.

10. The MD, APSFL has finally submitted the following 3 options which will be made available to the business partners of APSFL (i.e. MSOs / LCOs for supplying the boxes to them).

(i) Either on payment of total price (or)
(ii) On payment of an upfront fee of Rs.1,700/- per box and recovering the remaining amount in equal monthly instalments of Rs.99/- per month per box for a period of 3 years which will recover the cost of the procurement.
(iii) On payment of an upfront fee of Rs.500/- per box and recovering the remaining amount in equal monthly instalments of Rs.99/- per month per box for a period of 4 years which will recover the cost of the procurement.

11. Priority will be given for supplying boxes under options (i) and (ii) above which will bring down the interest cost and enhance cash flow to the Company.

12. After careful examination Government hereby approve the following proposals:

a. To provide Government Guarantee for taking term loan of Rs.300 Crores from the Banks / Financial Institutions.
b. To exempt the payment of Guarantee Commission @ 2% on the guaranteed amount to the government for the investment in Guaranteed Redemption Fund.
c. The Department of Mines and Geology to arrange an interest free loan of Rs.100 crores to APSFL from APMDC towards the margin money for the proposed procurement of 10 lakh sets of CPE boxes.

13. The Managing Director, Andhra Pradesh State Fiber Net Limited, Hyderabad shall take necessary action in the matter accordingly.

14. This order issues with the concurrence of Finance Department vide their U.O.No.44027/291/2016-SO(FMU(I,E,M)), dated:03.11.2016.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

AJAY JAIN
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Managing Director, Andhra Pradesh State Fiber Net Limited.
The Secretary to Government, Industries and Commerce (Mines) Department.
The Managing Director, AP Mineral Development Corporation.
The Director of Treasuries and Accounts, Ibrahim Patnam, Krishna District.
The Accountant General, A.P, Hyderabad.
The Prl. Secretary to C.M.
The Finance Department,
General Administration (Cabinet) Department.

//Forwarded:: By Order//

SECTION OFFICER